Digital Taxation in E-Commerce: Policies for the Future

16 September 2024

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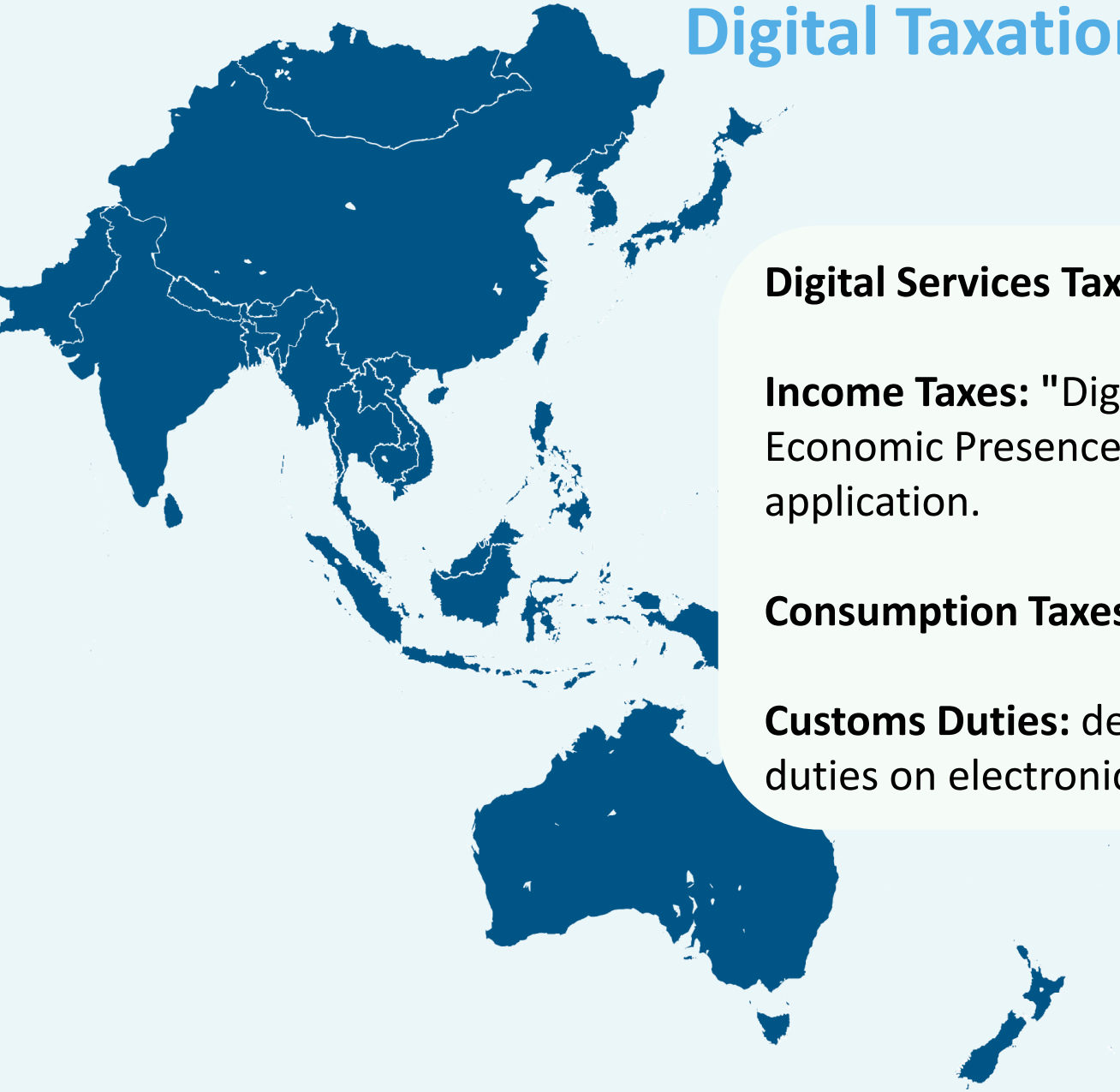
ASIA INTERNET COALITION

The **Asia Internet Coalition (AIC)** is an industry association of leading internet and technology companies, seeking to promote the understanding and resolution of internet and ICT policy issues in the Asia Pacific region.

The **Tax Committee** is one of AIC's four workstreams. The Committee drives AIC's advocacy work on tax policy developments impacting the internet industry in the Asia Pacific region.

Our goal is to constructively engage with relevant stakeholders to **promote long-term stable and workable tax policies, as well as international best practices on taxation issues** in APAC, ensuring a balance between regulation and innovation.

Digital Taxation Overview



Digital Services Taxes: multilateral vs. unilateral efforts.

Income Taxes: "Digital Permanent Establishment" and "Significant Economic Presence" concepts, withholding taxes, tax treaty application.

Consumption Taxes: VAT/GST on digital services.

Customs Duties: de minimis threshold, WTO moratorium on customs duties on electronic transmissions.

Multilateral Efforts

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OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS)	**Pillar I** aims to update the current international tax framework to keep up with evolving business models in the digital economy. Negotiations are ongoing. **Pillar II** seeks to ensure large enterprises pay a minimum effective tax of 15%.
UN Framework Convention on International Tax Cooperation	Terms of Reference (TOR) approved by UN Ad Hoc Committee in August 2024. Voted to have a **legally binding agreement** on the taxation of cross-border services by the end of 2027.
WTO Moratorium on E-Commerce Customs Duties	Extended until March 2026. Unlikely to be renewed again due to strong opposition from certain countries.

Multilateral Efforts

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OECD International VAT/GST Guidelines	Aim to provide a coherent framework for applying VAT/GST to cross-border trade, ensuring neutrality, fairness, and clarity in taxing goods and services in the global digital economy.
VAT Digital Toolkit for Asia-Pacific (APAC)	Aims to assist tax authorities in the region with the design and implementation of reform to ensure the effective collection of VAT on e-commerce activities.

AIC'S PRIORITIES

Promote long-term, stable, and workable tax policies

Advocate for tax policies that are a result of **multilateral, consensus-based** government-efforts.

Encourage governments to implement tax regimes that are based on **international standards and best practices.**

Encourage robust stakeholder engagement processes

Foster **dialogue with tax authorities** to understand their perspectives, while **highlighting best practices** based on experiences in other jurisdictions.

Support **knowledge sharing initiative**s among policymakers, businesses, and other stakeholders through workshops, seminars, and publications.

AIC'S PRIORITIES

Encourage pro-innovation, pro-growth tax policies

Ensure that digital taxation policies are designed to **support innovation and growth of businesses,** including SMEs and startups, in the digital economy.

Advocate for clear and transparent tax rules

Champion **clear and transparent tax regulations** that provide certainty for digital businesses operating across borders.

Increased Integration Between Tax & Trade

"Going forward, it is increasingly important to consider how regulators in tax might be better integrated with trade integration conversations."

- *Dr. Deborah Elms*

The growth of the digital economy digital economy is **blurring the lines between tax and trade,** as cross-border taxes increasingly apply to digital goods and services.

Tax professionals must account for **trade impacts in tax policy**, and trade specialists can **no longer sideline tax considerations**.

"Death and taxes: How levies on digital trade could kill MSMEs" by Dr. Deborah Elms

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